REPORT OF THE AUDIT OF THE BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002



EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Auditor of Public Accounts has completed the Bullitt County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$ 3,104,033 from the beginning of the year, resulting in a cash surplus of \$ 4,578,085 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$ 1,084,745. Future collections of \$1,231,152 are needed over the next 6 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$ 10,767,000 as of June 30, 2002. Future collections of \$17,600,362 are needed to meet these obligations.

Report Comments:

- Jail Canteen Accounting Records Are Not Adequate
- Jail Canteen Cancelled Checks Cannot Be Examined

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Bullitt County, Kentucky as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Bullitt County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Bullitt County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002 of Bullitt County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated September 5, 2003, on our consideration of Bullitt County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.



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The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Bullitt County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- Jail Canteen Accounting Records Are Not Adequate
- Jail Canteen Cancelled Checks Cannot Be Examined

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed - September 5, 2003

BULLITT COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Kenneth Rigdon County Judge/Executive

David Walker Magistrate
Dennis Mitchell Magistrate
Ed Bleemel Magistrate
Dewey McClearn Magistrate

Other Elected Officials:

Walt Sholar County Attorney

Danny Fackler Jailer

Nora McCawley County Clerk

Doris Cornell Circuit Court Clerk

Paul Parsley Sheriff

Rhonda Keith Property Valuation Administrator

Tommy Kappel Coroner

Appointed Personnel:

Stephanie Downs County Treasurer
Larry Stewart 911 Administrator
Raymond Streble Road Supervisor

STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS

BULLITT COUNTY STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Type					
	General		Capital l Projects		•	
Assets and Other Resources						
Assets						
Cash and Cash Equivalents	\$	3,258,089	\$	1,322,630	\$	
Total Assets	\$	3,258,089	\$	1,322,630	\$	0.
Other Resources						
Amounts to Be Provided in Future Years for:	\$		\$	0.444.070	\$	
Capital Lease Bond Payments				9,444,370		1,084,745
Total Other Resources	\$	0	\$	9,444,370	\$	1,084,745
Total Assets and Other Resources	\$	3,258,089	\$	10,767,000	\$	1,084,745

BULLITT COUNTY STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS June 30, 2002 (Continued)

Proprietary Fund Type		(Men	Totals norandum Only)
Ent	erprise		
\$	7,924	\$	4,588,643
\$	7,924	\$	4,588,643
\$		\$	
			9,444,370
			1,084,745
\$	0	\$	10,529,115
\$	7,924	\$	15,117,758

BULLITT COUNTY STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS June 30, 2002 (Continued)

	General		Capital Projects		Debt Service
Liabilities and Equity					
<u>Liabilities</u>					
Capital Lease Bonds Notes Payable	\$		\$	10,767,000	\$ 1,084,745
Payroll Liabilities		10,558			
Total Liabilities	\$	10,558	\$	10,767,000	\$ 1,084,745
Equity					
Retained Earnings:					
Restricted Fund Balances:	\$		\$		\$
Reserved		325			
Unreserved		3,247,206			
Total Equity	\$	3,247,531	\$	0	\$ 0 .
Total Liabilities and Equity	\$	3,258,089	\$	10,767,000	\$ 1,084,745

BULLITT COUNTY STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS June 30, 2002 (Continued)

Ent	erprise	
\$		\$ 10,767,000 1,084,745
		 10,558
\$	0	\$ 11,862,303
\$	7,924	\$ 7,924
		 325 3,247,206
\$	7,924	\$ 3,255,455
\$	7,924	\$ 15,117,758



STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BULLITT COUNTY STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type					
Cash Receipts	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund		
Schedule of Operating Revenue Receipts - Jail Canteen Other Financing Sources: Transfers In	\$ 9,182,046	\$ 2,151,350	\$ 441,175 	\$ 382,105		
Total Cash Receipts	\$ 9,182,046	\$ 2,771,973	\$ 1,668,599	\$ 382,105		
Cash Disbursements Comparative Schedule of Final Budget and Budgeted Expenditures Expenditures - Jail Canteen Other Financing Uses: Schedule of Other Expenditures Transfers Out Bonds: Principal Paid Interest Paid Kentucky Infrastructure Loan: Principal Paid Interest Paid Administrative Fee	\$ 6,363,819 2,752,440	\$ 2,771,973	\$ 1,668,553	\$ 68,187		
Total Cash Disbursements	\$ 9,116,259	\$ 2,771,973	\$ 1,668,553	\$ 68,187		
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements Cash Balance - July 1, 2001	\$ 65,787 2,592,934	\$	\$ 46 (46)	\$ 313,918 274,567		
Cash Balance - June 30, 2002*	\$ 2,658,721	\$ 0	\$ 0	\$ 588,485		

^{*} Cash Balance Includes Investments

BULLITT COUNTY STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES For The Fiscal Year Ended June 30, 2002 (Continued)

General	Fund	Type	
OCHCIA	1 ulu	1 100	

		For	est Fire	
	EMC			011
	EMS		otection	911
	Fund		Fund	 Fund
\$	831,563	\$	315	\$ 377,093
	575,424		1,958	 87,118
\$	1,406,987	\$	2,273	\$ 464,211
\$	1,406,987	\$	2,058	\$ 464,126

	\$ 1,406,987	\$ 2,058	\$	464,126
	\$	\$ 215	\$	85
		110		(85)
•		 	-	•
	\$ 0	\$ 325	\$	0
:				

BULLITT COUNTY STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES For The Fiscal Year Ended June 30, 2002 (Continued)

Capital Projects	
Fund Type	_

Cash Receipts	Capital Project		
Schedule of Operating Revenue Receipts - Jail Canteen Other Financing Sources: Transfers In	\$	92,449	
Total Cash Receipts	\$	92,449	
Cash Disbursements			
Comparative Schedule of Final Budget and Budgeted Expenditures Expenditures - Jail Canteen Other Financing Uses: Schedule of Other Expenditures Transfers Out Bonds: Principal Paid Interest Paid Kentucky Infrastructure Loan: Principal Paid Interest Paid	\$	3,580,331	
Administrative Fee			
Total Cash Disbursements	\$	3,580,331	
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements Cash Balance - July 1, 2001	\$	(3,487,882) 4,810,512	
Cash Balance - June 30, 2002*	\$	1,322,630	

^{*} Cash Balance Includes Investments

BULLITT COUNTY STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES For The Fiscal Year Ended June 30, 2002 (Continued)

Debt Service Enterprise
Fund Type Fund Type

Public Properties Corporation Fund		Jail Canteen Fund		Totals (Memorandum Only)		
\$		\$	102,180	\$	13,458,096 102,180	
	239,893				2,752,440	
\$	239,893	\$	102,180	\$	16,312,716	
\$		\$	98,382	\$	12,745,703 98,382	
					3,580,331 2,752,440	
	120,000				120,000	
	41,018				41,018	
	60,466 17,489 920				60,466 17,489 920	
\$	239,893	\$	98,382	\$	19,416,749	
\$		\$	3,798 4,126	\$	(3,104,033) 7,682,118	
\$	0	\$	7,924	\$	4,578,085	

BULLITT COUNTY NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Bullitt County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Bullitt County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Bullitt County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Bullitt County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Bullitt County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, EMS Fund, Forest Fire Protection Fund, and the 911 Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Capital Projects Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Bullitt County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Bullitt County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund (Debt Service Fund) because bond indentures and other relevant contractual provisions require specific payments to and from this/these fund annually and transfers are budgeted in the General Fund Type/Special Revenue Fund Type to comply with these requirements. Formal budget is not adopted for the Capital Projects Fund because contractual provisions have committed the funds placed in the custody of a trustee for disbursement to construction contractors. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

A. Courthouse Annex

As of June 30, 2002, the county is liable for \$670,000 of outstanding bonds issued at various interest rates by Bullitt County Public Properties Corporation Fund. Debt service requirements are as follows:

Note 4. Long-Term Debt (Continued)

A. Courthouse Annex (Continued)

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal	
2003 2004 2005 2006 2007	\$ 34,290 26,865 18,765 10,800 2,700	\$	135,000 155,000 145,000 135,000 100,000
Totals	\$ 93,420	\$	670,000

B. Landfill Closure

As of June 30, 2002, the county is liable for \$414,745 of outstanding bonds issued at the rate of 3.8% by the Kentucky Infrastructure Authority. Debt service requirements are as follows:

Fiscal Year Ended June 30	Scheduled Interest		Scheduled Principal		
2003 2004 2005 2006 2007 2008	\$	15,169 12,761 10,260 7,663 4,967 2,167	\$	62,786 65,194 67,695 70,292 72,989 75,789	
Totals	\$	52,987	\$	414,745	

Total Bond Principal is \$1,084,745.

Note 5. Capital Leases

A. Detention Center

On May 18, 2000, the county entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACO) to borrow \$9,000,000 at various interest rates for the construction of the Bullitt County Detention Center. The county will pay 360 monthly installments of varying amounts in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal		
2003	\$ 391,967	\$	141,000	
2004	385,526		150,000	
2005	378,684		159,000	
2006	371,441		168,000	
2007	363,780		178,000	
2008-2012	1,687,384		1,059,000	
2013-2017	1,415,549		1,411,000	
2018-2022	1,116,612		1,880,000	
2023-2027	571,536		2,502,000	
2028-2029	59,545		1,219,000	
Totals	\$ 6,742,024	\$	8,867,000	

B. Judicial Center

On November 20, 2000 the county entered into a renewable capital lease agreement with KACO to borrow \$1,900,000 at 4.5% for the acquisition and preparation of land for the site of a new judicial center. The agreement was renewed during the audit period. After the audit period, the county entered a participation agreement with the Kentucky Administrative Office of the Courts (AOC) and a capital lease agreement with KACO to construct the judicial center and pay off this land acquisition debt. Even though paid off on October 16, 2002, as of June 30, 2002, the county owed the full principal amount and \$91,338 in accumulated interest payable.

Note 6. Subsequent Events

The following significant items came to the auditor's attention as requiring disclosure in the current audit report as subsequent events:

- 1. The county has entered into a capital lease agreement with KACO for the purpose of building a judicial center to house AOC district and circuit court operations and for paying off the property acquisition debt. Proceeds of \$14,000,000 were deposited with a trustee project administrator on October 4, 2002 and the property acquisition debt of \$1,900,000 and accumulated interest was paid off with lease proceeds on October 16, 2002. The term of the lease is 20 years.
- 2. The county entered into a capital lease agreement with KACO for the purpose of building a courthouse to house county offices. Proceeds of \$4,000,000 were deposited with a trustee project administrator on August 1, 2002. The term of the lease is 20 years.

COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE

BULLITT COUNTY COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Budgeted Funds		Budgeted Operating Revenue		Actual Operating Revenue		Over (Under) Budget	
General Fund Type							
General Fund Road and Bridge Fund Jail Fund Local Government Economic Assistance Fund EMS Fund Forest Fire Protection Fund 911 Fund	\$	8,149,507 3,961,461 347,500 273,000 675,000 1,515 350,500	\$	9,182,046 2,151,350 441,175 382,105 831,563 315 377,093	\$	1,032,539 (1,810,111) 93,675 109,105 156,563 (1,200) 26,593	
Totals	\$	13,758,483	\$	13,365,647	\$	(392,836)	
Reconciliation							
Total Budgeted Operating Revenue Above Add: Budgeted Prior Year Surplus Less: Other Financing Uses					\$	13,758,483 1,130,650 (239,893)	
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures					\$	14,649,240	





BULLITT COUNTY SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

GOVERNMENTAL FUND TYPE

Revenue Categories		Totals emorandum Only)	General Fund Type	Capital Projects Fund Type		
Taxes	\$	5,793,028	\$ 5,793,028	\$		
Excess Fees		362	362			
Licenses and Permits		646,908	646,908			
Intergovernmental Revenues		5,566,400	5,566,400			
Charges for Services		1,031,699	1,031,699			
Miscellaneous Revenues		242,615	242,615			
Interest Earned		177,084	84,635		92,449	
Total Operating Revenue	\$	13,458,096	\$ 13,365,647	\$	92,449	



COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES

BULLITT COUNTY COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

GENERAL FUND TYPE

	GENERALI CHA TITE					
Expenditure Categories		Final Budget		Budgeted xpenditures		Under (Over) Budget
General Government	\$	2,809,787	\$	2,807,920	\$	1,867
Protection to Persons and Property		3,380,096		3,366,914		13,182
General Health and Sanitation		1,270,840		1,266,884		3,956
Social Services		20,861		20,830		31
Recreation and Culture		267,446		266,928		518
Roads		4,533,734		2,656,770		1,876,964
Bus Service		38,967		38,967		
Debt Service		301,897		301,667		230
Capital Projects		745,264		743,517		1,747
Administration		1,280,348		1,275,306		5,042
Total Operating Budget - General Fund Type	\$	14,649,240	\$	12,745,703	\$	1,903,537
Other Financing Uses: Transfers to Public Properties						
Corporation Fund-		239,893		239,893		
TOTAL BUDGET - GENERAL FUND TYPE	\$	14,889,133	\$	12,985,596	\$	1,903,537





BULLITT COUNTY SCHEDULE OF OTHER EXPENDITURES

For The Fiscal Year Ended June 30, 2002

	Cap	ital Projects
Expenditure Items		Fund
Detention Center Project: Capital Construction Lease Payments	\$	3,460,816 118,564
Judicial Center Project:		
Service Fees		951
Total	\$	3,580,331



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
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Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Bullitt County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bullitt County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under <u>Government Auditing Standards</u> and which is described in the accompanying comments and recommendations.

• Jail Canteen Accounting Records Are Not Adequate

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bullitt County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.



Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards (Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bullitt County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comments and recommendations.

• Jail Canteen Cancelled Checks Cannot Be Examined

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed -September 5, 2003



BULLITT COUNTY COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2002

REPORTABLE CONDITIONS

Jail Canteen Cancelled Checks Cannot Be Examined

The Canteen checking account monthly statement does not contain legible canceled checks. The bank statements have small copies of the front of the cancelled checks, however payee cannot be determined due to faint printing and endorsement cannot be determined because the backs of cancelled checks aren't provided. Proper bank reconciliation procedures and supervisory review cannot be completed without this information. Two checks numbered 1016 and 1021 totaling \$1,290 were recorded in the check register as transfers from Canteen account 1 to Canteen account 2 on August 31, 2001 and were paid on September 4, 2001 yet no record of deposit into Canteen account 2 exists. The cancelled check cannot be examined for payee and endorsement and the jailer cannot provide supporting documentation to justify the expense. We recommend the Jailer require the bank to provide legible fronts and backs or find a bank that will comply. We further recommend the jailer maintain supporting documentation for all disbursements. Due to the two checks mentioned above that cannot be traced to a deposit, we will refer this audit to the Attorney General's office for further review.

Jailer Danny Fackler's Response:

The Jailer agrees to maintain supporting documents and will advise the bank of concerns. The two checks in question will be requested again by the jailer.

NONCOMPLIANCES

Jail Canteen Accounting Records Are Not Adequate

Canteen records do not meet the minimum accounting and reporting standards prescribed by the state local finance officer pursuant to KRS 68.210 and published in the <u>Instructional Guide For County Budget Preparation</u>. We recommend regular accounting entries be made via the daily check out sheet, receipts journal and disbursements journal so as to accommodate accurate completion of the Jail Summary and Reconciliation report required to be submitted to the county treasurer annually as prescribed by KRS 441.135.

Jailer Danny Fackler's Response:

Budget manual has been supplied and will be implemented.

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Bullitt County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

Keineth Rigdon
County Judge/Executive
Stephanie Downs

County Treasurer